

School Revenue 2021-23 – Local Revenues for Formula

(Estimates as of March 11, 2021)

Recent Developments and Forecast Assumptions

1. ORS 327.011 defines local revenues for the purpose of State School Fund Distribution. These local revenues are combined with the State School Fund to become the total formula revenue available for distribution to school districts (SDs) and education service districts (ESDs). The Legislative Revenue Office (LRO) regularly provides local revenue estimates to the School Revenue Forecast Technical Committee. The forecast is updated annually. The last forecast was put out in March 2020 and was used for 2021-23 budget preparation purpose. Various components of the forecast are reviewed throughout the year.
2. The total local revenue for the 2021-23 biennium is estimated to be \$4.595 billion. March 2020 estimate was \$4.577 billion. Most of the increase is explained by higher Common School Fund distribution and stable timber sales revenue. Last year's forecast was released when the Covid-19 pandemic was just starting, and it assumed a sharp decline in asset market and timber sales, faced with extremely unusual and uncertain environment. Forecast details are provided on the following page.
3. Permanent rate-based property taxes account for a little over 95% of total local revenue. Preliminary data for the 2020-21 property tax year showed 4.7% growth in SD property taxes from a year prior, and 4.8% growth for ESDs, higher than 3.9% assumed in the prior forecast. These growth rates are also slightly higher than last year, and all counties registered positive growth. Higher growth than the forecast means a level shift up in property tax for forecasting purpose.
4. Current economic conditions suggest that property taxes will continue to grow in the next two years. While residential side is expected to stay robust, substantial uncertainty lies ahead, especially in the commercial real property. Before any adjustments to account for collection rate and the exclusion of the Portland Public School District (PPS) Gap bond rate, school districts are expected to see 3.1% growth in property taxes in 2021-22, followed by 3.0% growth in 2022-23. Education service districts will see similar growth. If the economy and employment continue to improve and federal stimulus generates desired outcome, it is possible to see a higher growth.
5. Considering the collection and distribution of overdue taxes and interests from prior years, this forecast assumes the net collection rate of 96.8% (of the current year's imposed taxes) throughout the forecast horizon. This rate is 0.5 percentage point lower than in recent past, reflecting highly uncertain economic circumstances. The rate applies to both SDs and ESDs.
6. Reflecting a lower collection rate and after adjusting for PPS Gap bond rate that is excluded from local revenue, the total 2021-22 property taxes for local revenue are forecasted to grow 2.57% year over year, followed by 3.0% in 2022-23.
7. The Common School Fund (CSF) year-end balance increased sharply in 2019 and 2020, growing 20.9% and 6.8% respectively. Going forward, the current forecast calls for a minimal growth in fund balance due to heightened uncertainty.

8. Revenues from state managed forestlands and county school fund reflect timber harvest and prevailing stumpage prices. Higher harvest in the board of forestry land and higher stumpage prices led to higher than trend payments to counties in 2018 and 2019, but 2020 saw a decline. Some of payments to counties become inflow to county school fund and state timber revenue, which in turn become part of local revenue. The current forecast assumes only modest gains in revenue, reflecting uncertainty surrounding the economy.

School Revenue - Expected Local Revenue (FY 2021-23)

	March 2020 Forecast			March 2021 Forecast		
	2021-22	2022-23	2021-23	2021-22	2022-23	2021-23
School Districts (A)						
Total Available Local Revenue	2,113,967,018	2,175,049,886	4,289,016,904	2,120,063,206	2,186,860,914	4,306,924,120
Net Property Taxes	2,022,368,001	2,083,189,041	4,105,557,043	2,022,887,377	2,083,723,999	4,106,611,376
Property Taxes	2,056,337,978	2,118,028,118	4,174,366,096	2,056,766,743	2,118,469,745	4,175,236,488
Excluded from Formula	-33,969,977	-34,839,076	-68,809,053	-33,879,366	-34,745,747	-68,625,112
Other Revenues	91,599,017	91,860,844	183,459,861	97,175,829	103,136,916	200,312,744
Common School Fund	60,466,919	62,085,352	122,552,271	64,195,985	69,780,334	133,976,319
County School Fund	8,442,944	8,020,796	16,463,740	8,929,955	9,046,044	17,975,999
State Timber & Misc	18,689,154	17,754,696	36,443,850	20,049,889	20,310,537	40,360,426
ESD Equalization Sharing	4,000,000	4,000,000	8,000,000	4,000,000	4,000,000	8,000,000
Education Service Districts (B)						
Total Available Local Revenue	142,030,353	146,323,022	288,353,375	141,928,113	146,295,940	288,224,053
Net Property Taxes	144,927,326	149,275,146	294,202,472	145,338,907	149,699,074	295,037,981
Other Revenues	-2,896,973	-2,952,124	-5,849,097	-3,410,794	-3,403,134	-6,813,929
State Timber	1,103,027	1,047,876	2,150,903	589,206	596,866	1,186,071
ESD Equalization Sharing	-4,000,000	-4,000,000	-8,000,000	-4,000,000	-4,000,000	-8,000,000
Total Available Local Revenue (A+B)	2,255,997,371	2,321,372,908	4,577,370,279	2,261,991,319	2,333,156,854	4,595,148,173